

**Watervliet Joint Fire Board  
Berrien County, Michigan**

**Financial Report**

**March 31, 2008**

RENDEL ELIE  
— & —  
ASSOCIATES PLC  
CERTIFIED PUBLIC ACCOUNTANTS

# Auditing Procedures Report

Instructions and MuniCodes

=Required Fields

Reset Form

Issued under Public Act 2 of 1968, as amended. (V1.07)

Unit Name	Watervliet Joint Fire Board	County	BERRIEN	Type	OTHER	MuniCode	11-7-526
Opinion Date-Use Calendar	Sep 29, 2008	Audit Submitted-Use Calendar	Sep 29, 2008	Fiscal Year End Month	03	Fiscal Year	2008

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No."

<input checked="" type="checkbox"/> ?	1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
<input checked="" type="checkbox"/> ?	2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
<input type="checkbox"/> ?	3. Were the local unit's actual expenditures within the amounts authorized in the budget?
<input checked="" type="checkbox"/> ?	4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
<input checked="" type="checkbox"/> ?	5. Did the local unit adopt a budget for all required funds?
<input checked="" type="checkbox"/> ?	6. Was a public hearing on the budget held in accordance with State statute?
<input checked="" type="checkbox"/> ?	7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
<input checked="" type="checkbox"/> ?	8. Has the local unit distributed tax revenues, that were collected for another taxing unit, timely as required by the general property tax act?
<input checked="" type="checkbox"/> ?	9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
<input checked="" type="checkbox"/> ?	10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin.)
<input checked="" type="checkbox"/> ?	11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
<input checked="" type="checkbox"/> ?	12. Is the local unit free of repeated reported deficiencies from previous years?
<input checked="" type="checkbox"/> ?	13. Is the audit opinion unqualified? 14. If not, what type of opinion is it? NA
<input checked="" type="checkbox"/> ?	15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
<input checked="" type="checkbox"/> ?	16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
<input checked="" type="checkbox"/> ?	17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
<input checked="" type="checkbox"/> ?	18. Are there reported deficiencies? <input checked="" type="checkbox"/> 19. If so, was it attached to the audit report?

General Fund Revenue:	? \$ 340,914.00
General Fund Expenditure:	? \$ 230,164.00
Major Fund Deficit Amount:	\$ 0.00

General Fund Balance:	? \$ 280,542.00
Governmental Activities Long-Term Debt (see instructions):	? \$ 245,000.00

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (reported deviations).

CPA (First Name) Lynda	Last Name Elie	Ten Digit License Number 1101019600			
CPA Street Address 1010 Main Street	City Saint Joseph	State MI	Zip Code 49085	Telephone +1 (269) 983-1069	
CPA Firm Name Rendel Elie & Assoc CPAs	Unit's Street Address 1010 Main Street		Unit's City Saint Joseph		Unit's Zip 49085

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Audit Results Communication

September 24, 2008

Watervliet Joint Fire Board  
217 W Pleasant Street  
Watervliet, MI 49098

We completed our audit of the financial statements of the Watervliet Joint Fire Board for the year ended March 31, 2008 and expect to issue our report thereon dated September 24, 2008. The following comments summarize the results of our audit:

In planning and performing our audit of the financial statements of the Watervliet Joint Fire Board, in accordance with auditing standards generally accepted in the United States of America, we considered Watervliet Joint Fire Board's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Fire Board's internal control. Accordingly, we do not express an opinion on the effectiveness of the Fire Board's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the Fire Board's internal control.

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A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe the following deficiency constitutes a material weakness:

***Controls over Financial Reporting Process***

- The Fire Board has not implemented a system of controls to prepare financial statements in accordance with U.S. generally accepted accounting principles, including procedures to achieve the objectives of recording revenue and expense accruals, non-cash donations and grants. This year, as in the past, the auditing firm has recorded audit adjustments at the time of the audit. The computerized accounting software was not complete with all the manual accounting transactions and delayed the completion of the audit. This service is allowable under current auditing standards and ethical guidelines, and may be the most efficient and effective method for preparation of the Fire Board's financial statements. However, reliance on your *external* auditors cannot by definition be considered a part of the Fire Board's *internal* controls. We would recommend that an individual is responsible for the accounting records and the financial reports from the accounting software are presented to the board monthly to keep your accounting records complete and current.

Additional comment, not considered to be a deficiency in internal control:

***Budget amendments***

- The budget process includes a great deal of estimating and it is not unusual for significant variances to develop throughout the year. We recommend that the board continue to monitor actual financial results to the original budgets and amend the budget as needed. The budget was not amended this year for all of the interest scheduled and paid.

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Repeated comments from prior years, not considered to be deficiencies in internal controls:

*Custodial credit risk of bank deposits*

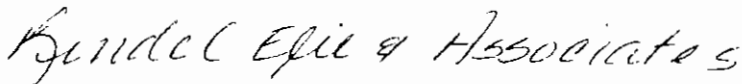
- Custodial credit risk is the risk that in the event of a bank failure, the Fire Board's deposits may not be returned to it. The Fire Board does not have a deposit policy for *custodial credit risk*. The Fire Board may want to consider amending the current investment policy to include a provision for *custodial credit risk*. At year-end, the Fire Board's cash was comprised of bank deposits, including checking and savings accounts and cash on hand. The balance at March 31, 2008 was \$200,033. Of these funds, \$70,071 was not covered by federal depository insurance.

*Insurance coverage*

- The insurance coverage should be routinely compared to the asset listing for adequate coverage. You may want to increase the coverage for equipment as the insurance coverage is less than the cost of the equipment used in your organization.

We wish to express our appreciation for the friendliness and cooperation extended to us during this audit.

Sincerely,



RENDEL ELIE & ASSOCIATES PLC  
CERTIFIED PUBLIC ACCOUNTANTS

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# **Watervliet Joint Fire Board**

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Independent Auditors' Report

Board of Trustees  
Watervliet Joint Fire Board  
Watervliet, Michigan

We have audited the accompanying basic financial statements of the Watervliet Joint Fire Board as of March 31, 2008 and for the year then ended, as listed in the table of contents. These financial statements are the responsibility of the management of the Watervliet Joint Fire Board. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosure in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Watervliet Joint Fire Board as of March 31, 2008 and the changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The required supplemental information listed in the table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements of the Watervliet Joint Fire Board. This information has been subjected to the procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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Independent Auditors' Report (continued)

The management discussion and analysis included in the financial section of the table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements of the Watervliet Joint Fire Board. We did not examine this data and, accordingly, do not express an opinion thereon.

*Rendel Elie & Associates*  
RENDEL ELIE & ASSOCIATES, PLC  
CERTIFIED PUBLIC ACCOUNTANTS

September 24, 2008

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**Watervliet Joint Fire Board  
Management's Discussion and Analysis  
March 31, 2008**

**Using this Annual Report**

This annual report consists of three parts – *management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include information that presents two different views of the Fire Board:

- The first column of the financial statements includes information on the Fire Board's General Fund under the modified accrual method. These *Fund Financial Statements* focus on current financial resources and provide a more detailed view about the accountability of the Fire Board's sources and uses of funds.
- The adjustment column of the financial statements represents adjustments necessary to convert the fund financial statements to the government-wide financial statements under the full-accrual method.
- The *government-wide financial statement* columns provide both *long-term* and *short-term* information about the Fire Board's *overall* financial status. The statement of net assets and the statement of activities provide information about the activities of the Fire Board as a whole and present a longer-term view of the Fire Board's finances. These statements tell how these services were financed in the short term as well as what remains for future spending.

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements.

**Watervliet Joint Fire Board**  
**Management's Discussion and Analysis**  
**March 31, 2008**

**Condensed Financial Information**

The table below compares key financial information as of March 31, 2008 and 2007.

	<u>2008</u>	<u>2007</u>
Assets:		
Current assets	\$ 295,915	\$ 185,572
Non-current assets	<u>758,088</u>	<u>779,106</u>
Total assets	1,054,003	964,678
Liabilities:		
Current liabilities	17,146	15,780
Non-current liabilities	<u>245,000</u>	<u>267,00</u>
Total liabilities	262,146	282,780
Net assets:		
Invested in capital, net of related debt	513,088	512,106
Unrestricted	<u>278,769</u>	<u>169,792</u>
Total net assets	<u>\$ 791,857</u>	<u>\$ 681,898</u>
Revenue:		
Property taxes	\$ 281,850	\$ 155,478
Local unit contributions	26,282	20,553
Grant revenue	13,536	-
Donations	2,000	7,500
In-kind donations	4,500	-
Charges for services	4,630	-
Other	<u>5,535</u>	<u>6,394</u>
Total revenue	338,333	189,925
Expenses	<u>228,374</u>	<u>185,108</u>
Change in net assets	<u>\$ 109,959</u>	<u>\$ 4,817</u>

**Watervliet Joint Fire Board  
Management's Discussion and Analysis  
March 31, 2008**

**The Fire Board as a Whole**

- The Fire Board's net assets increased by \$109,959 compared to \$4,817 the prior year. The primary reason for the increase is due to an increase in Watervliet Township property taxes and an increase in grant revenue.
- The Fire Board's primary source of revenue is from property taxes, which represents 84% of the current year revenue and 82% of the prior year revenue. In August 2006, the Township of Watervliet passed an additional tax of 1 mill effective for the period of 2007 through 2010, raising an additional estimated annual tax of \$106,606.
- Personnel costs continue to be a significant expense of the Fire Board, representing 27% of the current year expenses and 21% of the prior year expenses.

**Capital Asset and Debt Administration**

The Fire Board continues to make payments to Watervliet Township for the construction of the addition to the fire station. Final payment on this loan is scheduled to be paid on September 1, 2015.

Capital assets increased by \$46,790 for the acquisition of equipment.

The Fire Board received a donation from an individual of an off-road vehicle with an estimated fair value of \$4,500 during the current fiscal year.

**Fire Board Budgetary Highlights**

Over the course of the year, the Fire Board amended the budget to take into accounts events that occurred during the year. The most significant amendments occurred in property tax revenue and capital outlay.

Budget variances included grant income and property taxes received during the year, repairs and maintenance and capital outlay expenditures.

**Contacting the Fire Board's Management**

This financial report is intended to provide a general overview of the Fire Board's finances and to show the Fire Board's accountability for the money it receives. If you have questions about this report or need additional information, please contact the Fire Board treasurer, David Brinker at the Watervliet Fire Department.

**Watervliet Joint Fire Board**  
**Governmental Fund Balance Sheet / Statement of Net Assets**  
**March 31, 2008**

	General Fund Modified <u>Accrual Basis</u>	<u>Adjustments</u>	Statement of <u>Net Assets</u>
<b>Assets</b>			
Cash	\$ 200,033	\$ -	\$ 200,033
Investments	64,984	-	64,984
Prepaid insurance	10,713	-	10,713
Due from other governmental units	20,185	-	20,185
Capital assets, net	-	758,088	758,088
Total assets	<u>\$ 295,915</u>	758,088	1,054,003
<b>Liabilities</b>			
Accounts payable	\$ 2,514	-	2,514
Accrued wages and payroll taxes	14,632	-	14,632
Long-term debt:			
Due within one year	-	24,000	24,000
Due after one year	-	221,000	221,000
Total liabilities	<u>17,146</u>	<u>245,000</u>	<u>262,146</u>
<b>Fund Balance/Net Assets</b>			
Fund balance - unreserved, undesignated	<u>278,769</u>	<u>(278,769)</u>	-
Total liabilities and fund balance	<u>\$ 295,915</u>		
Net assets:			
Invested in capital assets, net of debt		513,088	513,088
Unrestricted		<u>278,769</u>	<u>278,769</u>
Total net assets		<u>\$ 791,857</u>	<u>\$ 791,857</u>

See auditors' report and notes to financial statements.

**Watervliet Joint Fire Board**  
**Statement of Governmental Revenue, Expenditures, and Changes in Fund Balance /**  
**Statement of Activities**  
**Year Ended March 31, 2008**

	General Fund Modified Accrual Basis	Adjustments	Statement of Activities
<b>Revenues:</b>			
Property taxes:			
Township of Watervliet	\$ 224,691	\$ -	\$ 224,691
City of Watervliet	57,159	-	57,159
Receipts from other governmental units:			
Township of Bainbridge	26,282	-	26,282
Grant income	13,536	-	13,536
Donations	2,000	-	2,000
In-kind donations	4,500	-	4,500
Charges for services	4,630	-	4,630
Other revenue	6,343	-	6,343
Gain/(loss) on capital asset disposal	-	(808)	(808)
Total revenue	339,141	(808)	338,333
<b>Expenditures:</b>			
Personnel	61,445	-	61,445
Insurance	17,674	-	17,674
Repairs and maintenance	12,355	-	12,355
Utilities	10,742	-	10,742
Supplies	18,036	-	18,036
Professional services	6,799	-	6,799
Medical	2,435	-	2,435
Fuel	3,243	-	3,243
Education and training	9,305	-	9,305
Board fees	2,720	-	2,720
Refunds/rebates	4,569	-	4,569
Dues and subscriptions	778	-	778
Contributions to governmental units	144	-	144
Miscellaneous	57	-	57
Capital outlay	46,790	(46,790)	-
Debt service:			
Principal	22,000	(22,000)	-
Interest	11,072	-	11,072
Depreciation	-	67,000	67,000
Total expenditures	230,164	(1,790)	228,374
<b>Excess of Revenue over Expenditures /</b>			
<b>Change in Net Assets</b>	108,977	982	109,959
<b>Fund Balance/Net Assets - beginning of year</b>	169,792	512,106	681,898
<b>Fund Balance/Net Assets - end of year</b>	<u>\$ 278,769</u>	<u>\$ 513,088</u>	<u>\$ 791,857</u>

See auditors' report and notes to financial statements.

**Watervliet Joint Fire Board**  
**Notes to Financial Statements**  
**March 31, 2008**

**Summary of Significant Accounting Policies**

**Reporting Entity**

The Watervliet Joint Fire Board is a joint venture between the City of Watervliet and the Township of Watervliet. The purpose of the Fire Board is to operate, maintain, provide and supervise fire service. The Fire Board operates under a Board of Trustees and consists of members appointed by the City and Township.

The Fire Board is defined as a governmental unit under criteria set forth by AICPA'S Audits of State and Local Governmental Units (ASLGU). These criteria include; a Board of Trustees consisting of representative members appointed or elected from the governmental units served and, the power to enact and enforce a tax levy.

The accompanying general purpose financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity.

The accounting policies of the Watervliet Joint Fire Board conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

In June 1999, the GASB issued Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Certain of the significant changes in the Statement include the following:

- A Management's Discussion and Analysis (MD&A) section providing an analysis of the Fire Board's overall financial position and results of operations.
- Financial statements prepared using full accrual accounting for all of the Fire Board's activities.
- A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements, including notes to the financial statements.

**Watervliet Joint Fire Board**  
**Notes to Financial Statements**  
**March 31, 2008**

**Summary of Significant Accounting Policies (continued)**

**Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The Fire Board's basic financial statements include both government-wide (reporting the Fire Board as a whole) and fund financial statements (reporting the Fire Board's major funds).

**Government-wide Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) are reported using the economic resource measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of net assets includes and recognizes all long-term assets and receivables as well as long-term debt and obligations. The Fire Board's net assets are reported in four parts – invested in capital assets; designated net assets; restricted net assets; and unrestricted net assets.

**Fund Financial Statements**

Governmental fund financial statements are reported using the current financial resource measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Fire Board considers revenue to be available if they are collected within ninety days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when collected.

**Watervliet Joint Fire Board  
Notes to Financial Statements  
March 31, 2008**

**Summary of Significant Accounting Policies (continued)**

**Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)**

The Fire Board reports only one major governmental funds, the General Fund.

**Financial Statement Amounts**

**Bank Deposits and Investments** – The Fire Board has defined cash and cash equivalents to include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.

**Receivables and Payables** – Property taxes are levied on December 1<sup>st</sup> based on the taxable valuation of the property as of the preceding December 31<sup>st</sup>. Taxes are considered delinquent on March 1<sup>st</sup> of the following year, at which time penalties and interest are assessed.

The Fire Board receives an advance from the Berrien County Revolving Fund for delinquent property taxes. The County collects the delinquent property taxes on behalf of the Fire Board.

**Capital Assets** – Capital assets are defined by the Fire Board as assets with an initial cost of more than \$500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings and improvements	40-50 years
Furniture and equipment	5-7 years
Vehicles	5-20 years

**Long-term Obligations** – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets.



**Watervliet Joint Fire Board  
Notes to Financial Statements  
March 31, 2008**

**Summary of Significant Accounting Policies (continued)**

**Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)**

**Property Taxes –**

*Township of Watervliet* – In November of 2002, the electors of the Township of Watervliet approved a .9803 millage levy on the taxable property in the Township. The levy was renewed at 1 mill and an additional 1 mill was approved in August of 2006 and both will expire in 2010.

*City of Watervliet* – On July 15, 2004, the electors of the City of Watervliet approved a 2 millage levy on the taxable property in the City. The levy was renewed in August of 2006 and will expire in 2009.

**Use of Estimates** – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

**Budget Information**

The annual budget is prepared by the Fire Board Director and adopted by the Fire Board of Trustees; subsequent amendments are approved by the Fire Board of Trustees. Unexpended appropriations lapse at year-end; encumbrances are not included as expenditures. During the current year, the budget was amended in a legally permissible manner.

The budget has been prepared in accordance with accounting principles generally accepted in the United States of America.

The budget statement (combined statement of revenue, expenditures and changes in fund balances – budget and actual – general fund types) is presented on the same basis of accounting used in preparing the adopted budget.

The budget has been adopted on a line item basis; expenditures at this level in excess of amounts budgeted is a violation of Michigan law. A comparison of the actual results of operations, as adopted by the Fire Board, is presented in these financial statements.

**Watervliet Joint Fire Board**  
**Notes to Financial Statements**  
**March 31, 2008**

**Budget Information – (Continued)**

During the year, the Fire Board incurred expenditures that were in excess of budget by more than \$5,000 in the following category:

	<u>Budget</u>	<u>Actual</u>
Interest	\$6,000	\$11,072

**Deposits and Investments**

The Fire Board has designated two banks for the deposit of its funds. The investment policy adopted by the Fire Board is in accordance with Public Act 196 of 1997 and has authorized investments as authorized by state statute, including bonds, CD's, commercial paper, repurchase agreements, and mutual fund accounts. The Fire Board's deposits and investment policies are in accordance with statutory authority.

Custodial credit risk of bank deposits – Custodial credit risk is the risk that in the event of a bank failure, the Fire Board's deposits may not be returned to it. The Fire Board does not have a deposit policy for *custodial credit risk*. At year end, the Fire Board's cash was comprised of bank deposits, including checking and savings accounts and cash on hand. The balance at March 31, 2008 was \$200,033. Of these funds, \$70,071 was not covered by federal depository insurance.

**Capital Assets**

Capital asset activity was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Land and improvements	\$ 20,179	\$ -	\$ -	\$ 20,179
Building under capital lease	521,118	-	-	521,118
Vehicles	522,627	4,500	-	527,127
Equipment	446,928	42,290	930	488,288
Total	1,510,852	46,790	930	1,556,712
Accumulated depreciation	(731,746)	(67,000)	(122)	(798,624)
Net book value	<u>\$ 779,106</u>	<u>\$ (20,210)</u>	<u>\$ 808</u>	<u>\$ 758,088</u>

**Watervliet Joint Fire Board**  
**Notes to Financial Statements**  
**March 31, 2008**

**Long-term Debt**

**Debt service requirements** - On July 12, 2000, the Fire Board entered into an agreement to finance the construction of the building addition. The following is a summary of changes in long-term debt for the year ended March 31, 2008:

	<u>Interest Rate</u>	<u>Principal Maturity</u>	<u>Beginning Balance</u>	<u>Addition</u>	<u>Reduction</u>	<u>Balance</u>	<u>Due Within One Yr.</u>
Capital lease	4.325%	2015	<u>\$267,000</u>	<u>\$ -</u>	<u>\$ 22,000</u>	<u>\$245,000</u>	<u>\$ 24,000</u>

**Risk Management**

The Fire Board is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The Fire Board has purchased commercial insurance for property, liability and workers' compensation.

**Reconciliation of Fund Financial Statements to Government-wide Financial Statements**

Total fund balance and the net change in fund balance of the Fire Board's governmental fund differs from net assets and changes in net assets of the governmental activities reported in the statement of net assets and statement of activities. This difference primarily results from the long-term economic focus of the statement of net assets and statement of activities versus the current financial resources focus of the governmental fund balance sheet and statement of revenue, expenditures, and change in fund balance.

**Watervliet Joint Fire Board**  
**Notes to Financial Statements**  
**March 31, 2008**

**Reconciliation of Fund Financial Statements to Government-wide Financial Statements (Continued)**

The following are reconciliations of fund balance to net assets and the net change in fund balance to the net change in net assets:

<b>Total Fund Balance – Modified Accrual Basis</b>	<b>\$ 278,769</b>
Differences in the statement of net assets:	
Capital assets are not financial resources and are not reported in the funds	758,088
Long-term liabilities are not due and payable in the current period and are not reported in the funds	<u>(245,000)</u>
<b>Net Assets of General Fund – Full Accrual Basis</b>	<b><u>\$ 791,857</u></b>
 <b>Net Change in Fund Balances – Modified Accrual Basis</b>	 <b>\$ 108,977</b>
Differences in the statement of net assets:	
Capital outlays are reported as expenditures in the statement of revenue, expenditures, and changes in fund balance; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:	
Capital outlay	46,790
Depreciation	(67,000)
Net effect of disposition of capital asset	(808)
Repayments of principal are reported as an expenditure in the fund statements, but not in the statement of activities (where it reduces long-term debt)	<u>22,000</u>
<b>Change in Net Assets of General Fund – Full Accrual Basis</b>	<b><u>\$ 109,959</u></b>

**Watervliet Joint Fire Board**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**General Fund**  
**Year Ended March 31, 2008**

	Originally Adopted Budget	Final Amended Budget	Actual Balances	Over (Under)
<b>Revenues:</b>				
Property taxes:				
Township of Watervliet	\$ 213,332	\$ 191,000	\$ 224,691	\$ 33,691
City of Watervliet	53,000	53,000	57,159	4,159
Receipts from other governmental units:				
Township of Bainbridge	19,200	19,200	26,282	7,082
Grant income	-	-	13,536	13,536
Donations	-	-	2,000	2,000
In-kind donations	-	-	4,500	4,500
Charges for services	-	-	4,630	4,630
Other revenue	3,500	3,500	6,343	2,843
Total revenue	289,032	266,700	339,141	72,441
<b>Expenditures:</b>				
Personnel	57,300	63,495	61,445	(2,050)
Insurance	22,000	18,637	17,674	(963)
Repairs and maintenance	31,500	20,969	12,355	(8,614)
Utilities	10,000	11,000	10,742	(258)
Supplies	20,800	20,247	18,036	(2,211)
Professional services	6,100	6,789	6,799	10
Medical	4,000	4,000	2,435	(1,565)
Fuel	3,000	3,000	3,243	243
Education and training	5,000	6,993	9,305	2,312
Board fees	3,000	3,600	2,720	(880)
Refunds/rebates	-	-	4,569	4,569
Dues and subscriptions	1,700	1,700	778	(922)
Contributions to governmental units	-	-	144	144
Miscellaneous	1,632	1,632	57	(1,575)
Capital outlay	90,000	71,639	46,790	(24,849)
Debt service:				
Principal	28,000	28,000	22,000	(6,000)
Interest	6,000	6,000	11,072	5,072
Total expenditures	290,032	267,700	230,164	(37,536)
<b>Excess of Revenue over Expenditures /</b>				
<b>    Change in Net Assets</b>	(1,000)	(1,000)	108,977	109,977
<b>Fund Balance/Net Assets - beginning of year</b>	169,792	169,792	169,792	-
<b>Fund Balance/Net Assets - end of year</b>	<u>\$ 168,792</u>	<u>\$ 168,792</u>	<u>\$ 278,769</u>	<u>\$ 109,977</u>

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CERTIFIED PUBLIC ACCOUNTANTS

September 24, 2008

Watervliet Joint Fire Board  
217 W Pleasant Street, PO Box 558  
Watervliet, MI 49098

We have audited the financial statements of the Watervliet Joint Fire Board for the year ended March 31, 2008, and have issued our report thereon dated September 24, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated September 25, 2007, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you on April 18, 2008 about planning matters.

Significant Audit Findings

*Significant Accounting Policies*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Watervliet Joint Fire Board are described in the notes to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the governmental unit during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

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*Accounting Estimates*

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

*Audit Adjustments*

Professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the financial reporting process (that is, cause future financial statements to be materially misstated). We proposed numerous adjusting journal entries, which in our judgment, had a material effect on the Watervliet Joint Fire Board's financial reporting process.

*Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated September 24, 2008.

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*Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Issues*

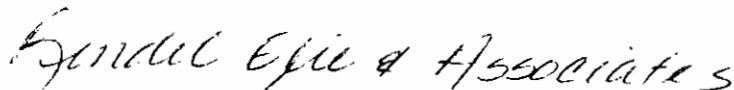
We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

*Difficulties Encountered in Performing the Audit*

We encountered no difficulties in dealing with management in performing and completing our audit.

This information is intended solely for the use of the Watervliet Joint Fire Board and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,



RENDEL ELIE & ASSOCIATES, PLC  
CERTIFIED PUBLIC ACCOUNTANTS

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